

Just the Facts, Ma'am - Fiscal Cliff Edition: This was the famous, at least to those of us who were alive then, admonition offered by the fictional LA detective, Sergeant Joe Friday, to witnesses who would engage in too much speculation about a crime. Well, I generally give you a lot of my opinion. Every once in a while, though, I give you just the unvarnished facts so that you can draw your own conclusions.

You have probably heard the term "Fiscal Cliff" enough times to make you sick. But, do you really know everything it entails? Below, you will find a comprehensive list of every law that will expire at the end of this year, as well as the result of our returning to whatever the law was before. The accumulation of all of these things has been dubbed collectively by the media as the "Fiscal Cliff":

- Unemployment compensation will revert from a 73 week maximum to a 26 week maximum. This takes it back to the duration that existed in 2008 and prior. This will reduce spending by approximately \$30 billion over 10 years.
- For the past 2 years, there has been a "payroll tax holiday". For this year, every paycheck in the U.S. at or below \$110,100 per year saw Social Security taxes reduced by 2% of that paycheck. By the way, that limit is scheduled to be \$113,700 next year. But, Social Security benefits have not been correspondingly reduced, meaning that the money to pay Social Security benefits has been borrowed. Social Security taxes will revert to where they were in 2010 and prior, which is 6.2% of each paycheck. This is projected to raise between \$100-\$120 billion over 10 years.
- For the last 2 years, estates have been exempt from death taxes if they were below \$5 million, while higher amounts have been subject to a 35% tax. These death taxes would revert to 55% on any estate over \$1 million, not indexed for inflation in the future. This is the rate that existed in 2000 and prior. However, the rate has been lower and the exemption higher every year since. This is projected to raise \$300 billion over 10 years.
- The "Sequestration" is complicated. But in short, it requires about \$500 billion in defense spending cuts over the next 10 years. About \$320 billion will be cut across the board from other non-entitlement (discretionary) federal spending that is not defense-related. And, there is about a \$180 billion cut to Medicare payments to doctors and hospitals that provide Medicare

services. This is about a 9% cut in the "discretionary" spending and about a 2% cut in Medicare. Total savings, including interest on the debt not borrowed, is \$1.2 trillion over 10 years.

- The changes in the tax rate tables are also complicated. But, here is a table of the old and new tax rates on ordinary income. This table displays the results of reverting to the rates that existed prior to 2001:

Higher Marginal Income Tax Rates On Every American Who Pays Income Taxes, Including Small Business Owners

Individuals and Small Businesses* with Taxable Income in the Following Ranges...	... Pay This Rate on that Range of Income in 2012...	...But Will Pay This Rate on that Range of Income in 2013
Up to \$8,700 for single filers and Up to \$17,400 for married couples	10%	15%
Between \$8,700 and \$35,350 for single filers and Between \$17,400 and \$70,700 (\$60,350 for 2013)** for married couples	15%	15%
Between \$35,350 and \$85,650 for single filers and Between \$70,700 (\$60,350 for 2013)** and \$142,700 for married couples	25%	28%
Between \$85,650 and \$178,650 for single filers and Between \$142,700 and \$217,450 for married couples	28%	31%
Between \$178,650 and \$388,350 for single filers and Between \$217,450 and \$388,350 for married couples	33%	36% ***
Over \$388,350 for both single filers and married couples	35%	39.6% (40.8% when also accounting for the additional hidden rate of approximately 1.2% from the reinstatement of the Pease limitation, discussed below) ***